

CENTRAL EUROPEAN OFFICE

M A Y 2016

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MARKET INTELLIGENCE / TRENDS

April Sales Increase Breaks 5-Month Slump

Holiday sales in German travel agencies grew by 6.6% last month, breaking a five-month downward trend, according to a monthly survey by market researchers GfK. The sales increase, which follows a similar 6.7% growth figure in the monthly survey by IT services firm TATS, could signal a long-awaited recovery in demand after five months of falling sales, experts believe.

The 6.6% growth figure for April means that cumulative sales for summer 2016 are now 'only' 6% behind last year's levels, compared to -9% in January. In terms of individual departure months, July is the only month with higher sales than last year, while August is a dramatic 18% behind 2015 levels. However, these figures mean it will be difficult for summer 2016 sales to recover sufficiently to return to 2015 levels, according to GfK. About €480 million worth of revenues are still 'missing' and only 64% of summer 2015 revenues have so far been reached for this year.

The winter 2015/16 season closed with a slight 1% increase in travel agency revenues, according to the GfK survey. One sign of hope is the high level of early bookings for next winter. Advance bookings are up by 24%, and winter 2016/17 revenues already accounted for nearly 17% of total revenues last month.

Meanwhile, German tourism industry managers expect Germany to benefit most from the continuing drop in demand for eastern Mediterranean destinations while Muslim countries will continue to face challenging times. A survey by the Tourism Industry Club (TIC), whose members are mostly top managers and other decision-makers, found that an overwhelming 94% of 186 respondents believe the recent drop in demand is due to fear of travelling following terror attacks in various destinations. A high 58% expect 'Islamic' countries to increasingly disappear from the tourism map. As many as 42% believe this could include Turkey, while 63% do not believe that the destination will make a recovery in the short term. Similarly, 60% do not expect Egypt to prove an attractive destination next winter.

Safety and Trust Top Agents' Sales Criteria List

Safety and trust along with value for money are by far the most important sales factors for both travel agents and customers in Germany, according to the recent fvw Destination Study 2016. For 49% of travel agents and 57% of customers, safety and trust are the top factors

when deciding on a destination, the survey of 262 travel agencies found. Similarly, 49% of agents described value for money as an essential factor, although this was seen as only essential for 32% of customers.

One market segment hit by these decision factors is city trips, following various terror attacks in major city destinations in recent months. Dertour, Germany's largest tour operator for city trips, has a drop in bookings for this segment. "At the moment we are slightly below last year," said Frank Götze, who is responsible for short trips. But he added optimistically: "Customers are booking at much shorter notice. So the current drop is not so bad." Studiosus chief Kubsch agreed: "Customers are avoiding city destinations at present." Bookings have fallen for large city destinations, with Istanbul suffering in particular.

Other important factors for success in the German market, according to tour operators, include 'customer experience', sustainability and flexibility. Customers are increasingly looking for authentic experiences and sustainable trips, specialist tour operators believe.

Thomas Cook: Group Launches Cross-Border Tour Operating Integration

Thomas Cook reduced seasonal losses in the half-year ending March 31, 2016, and has started to integrate tour operating activities in Germany, Belgium and the Netherlands under its 'one tour operator' model. Europe's second-largest tourism group's long-term aim is to create one single operation with integrated back-office functions as well as production, leaving individual markets responsible for sales and marketing.

Production of self-drive holidays and city trips for European markets has already been merged in Switzerland. In the next step, Thomas Cook will integrate back-office functions such as finances and IT and also production of some holiday offers for the German, Dutch and Belgian markets. Other Continental European markets are due to follow at later dates.

The company explained in its recent half-year results announcement: "As an initial stage of our 'One Tour Operator' initiative, we have just launched a major efficiencies program in Continental Europe, initially focused on Germany, Belgium and the Netherlands. The program aims to streamline our processes and remove duplication within that segment, in order to significantly reduce operating costs from FY17 onwards, and deliver key new operating model initiatives. These include consolidating tour operating activities, integrating marketing and finance functions, and standardizing our IT work. Once this program has been implemented, the individual source markets in Continental Europe will focus mainly on sales, yield and trading, and merchandising, while a segment-wide structure will exist to carry out centralized support activities."

One key area for more cross-border cooperation is in premium and long-haul holidays, now under the management of Kirsten Feld-Türkis, the former TUI Germany manager. In the German market, she will more clearly differentiate the profiles of Neckermann Reisen (offering mostly hotels up to 3.5 stars) and Thomas Cook (4 star upwards), including offering some hotel brands only through one tour operator brand. The changes are due to start in the forthcoming winter 2016/17 brochures.

CEO Peter Fankhauser commented: "Thomas Cook has made significant progress in the last six months. Despite disruption in some of our key markets, we've managed to slightly grow

our revenues on a like-for-like basis, having anticipated the shift in demand away from Turkey, Tunisia and Egypt and into the Western Mediterranean and long haul destinations. “As we look ahead to our busiest period, Thomas Cook is trading well to destinations other than Turkey, with particularly strong bookings to Spain and the USA.

SALES ACTIVITIES

Visit Florida Road Show (May 9th – 13th, 2016):

For the fourth consecutive year, we participated in the Visit Florida Road Show which was co-sponsored by German tour operator DERTOUR this year. Four German cities were targeted (Bielefeld, Trier, Baden Baden and Konstanz) where we trained close to 200 agents cumulatively. Training sessions and workshops were held during the day ensuring active and engaging dialog with all agents. Daytime sessions culminated in evening events in each city. The following Florida partners also participated: Bradenton, Florida Keys, Fort Myers, Naples, Orlando, Tampa and SeaWorld Parks & Entertainment.

As the evening events concluded with a travel prize raffle, we put out an applicable opportunity blast to our industry last month and are grateful, once again, for the generous support!! The VSPC travel prize was combined with a sojourn in Orlando – together we represented the ‘grand’ prize in each city which gave us yet more valuable exposure.

With this year’s road show having been another success, dates for next year have been tentatively set as follows: May 8-12, 2017

Generaltour Belgium – Florida Travel Agent Training (May 24th, 2016):

We were sought out by the Product Manager USA & Canada of Generaltour in Belgium to participate in their first-ever, special Florida informational training event to be held at Liege’s airport facility. 58 top travel agents specialized in selling the USA attended this unique event gaining comprehensive insight into Generaltour’s new Florida program.

Both a tabletop workshop platform and comprehensive training sessions gave us the opportunity to intensify agents’ VSPC destination knowledge. Visit Florida along with several Florida partners were among the presenters, in addition to airline and car rental supporters.

IPW (June 18th – 22nd, 2016):

Preparations are underway for our attendance at this year’s IPW to be held in New Orleans. We continued to liaise closely with HQ in reviewing invitation lists and providing further input for our “Twice the Party” event to be held in cooperation with The Beaches of Fort Myers & Sanibel.

The online appointment scheduling opened last month giving us the opportunity to pre-select customers with whom we would like to meet. Online appointment scheduling closed on 5/09 with final appointment schedule accessibility as of 5/25. With a total 200 appointments having been scheduled across several markets, we expect this year’s show to be extremely productive. Our office is again pleased to be the monitor and keeper of the master schedule for our delegation. In conjunction with this, we are keeping abreast of appointment shifts, additions and changes, communicating applicable scheduling updates to HQ and our colleagues on a consistent basis.

Visit USA Road Show Switzerland (September 19th – 21st, 2016):

Scheduled to be held in St. Gallen, Zurich, Luzern and Bern, the road show is expected to attract over 200 travel agents. Both morning and evening training sessions are being

scheduled during which we will have the opportunity to present our area the more intimate roundtable format. By virtue of conducting trainings in four Swiss cities in short order, we will cover a broad catchment area just ahead of the upcoming important booking season. Space was limited for these training events allowing for only 10 suppliers; thus, we are pleased to have secured this excellent exposure opportunity by means of our early registration.

Schauinsland Reisen Florida Event (September 22nd, 2016):

Since the beginning of 2016, this German tour operator has become increasingly active in placing and promoting Florida product and inasmuch, plans to stage an exclusive Florida travel agent training workshop for up to 70 top selling agents at their Schauinsland “Loft” facility in Duisburg. We are very pleased to have secured one of the coveted training slots and are now in the early preparation stages for the event.

Currently, 5 VSPC properties are featured in the tour operator’s program with the tour operator aiming to double VSPC product placement for the 2017 season!

Additional Activity:

- We assisted Ms. Prem of **Ruefa Reisen**, in **Austria**, who won a trip to Orlando at the Visit USA Seminar in Austria and wanted to combine this prize with a visit to our area. Comprehensive information was provided along with the latest insider tips and collateral material.
- We supplied tour operator **Fairflight Touristik** in **Wittenberg, Germany** with a larger quantity of our brochures to be distributed to their customers.

MARKETING INITIATIVES

Our efforts continued this month in developing and completing marketing initiatives and advertising programs, which included:

Airlines:

- British Airways (Germany)
 - **B2B Speedbird Club Promotion** – June 1-July 4, 2016

Together with British Airways, Germany we have developed a unique travel agent promotion for their “Speedbird Club” communications channel. Designed as an informative online platform specifically for the travel trade, British Airways’ *Speedbird Club Germany* currently boasts 8,700 travel agent members. Members are kept up-to-date on the latest developments and promotions by means of regular eNews blasts.

Messaging on VSPC (including content, imagery and logo) will be combined with twin-center destination Visit Orlando and will include a sweepstakes element. Again, we are most grateful to our industry for the generous accommodations sponsorship, which was secured last month. This month the final layout was proofed and approved. The initiative will launch on June 1st.
- Lufthansa German Airlines (Germany)
 - **B2B2C Direct Mail Promotion** – June 2016

Ms. Heike Schmitt, Key Account Manager of Deutsche Lufthansa North Rhine-Westphalia, whom we met at the Lufthansa training sessions last year, is planning a

special promotion in cooperation with several regional Lufthansa City Center travel agencies to push Lufthansa's service to Tampa Bay. These agencies will identify 2,500 top leisure customers to be targeted with a direct mail piece, which will include VSPC content highlights along with a small VSPC giveaway. VSPC will be featured as an exclusive destination partner on a free-of-charge basis! We are in the process of handling giveaway logistics and preparing applicable content. Updates to be forthcoming.

Tour Operators:

- America Unlimited (Germany)
 - **B2C Multi-Channel Ambient Campaign** – December 2015-August 2016
This exciting campaign will target customers aged 30-55 (couples, families and affluent clientele). Using various channels the campaign is focused on raising awareness and boosting sales on several platforms such as out-of-home, print (flyers), online (eNewsletters) and social media inclusion.
 - a) **Inner Tubing Promotion** – March/April & July/August
Big tubing events will be launched in both winter and summer months to engage and motivate thousands of beach hungry customers to embark on an emotional journey to VSPC. For these events 10,000 large, colorful inner tubes will be produced depicting VSPC logo and image to be presented to consumers for exciting slides down the slopes (winter) and refreshing splashes in lakes (summer).
Winter locations: Southern German, Austrian and Swiss Alps (Achensee, Saalbach-Hinterglemm, Serfaus, Davos, Engelberg)
Examples of summer locations: North Sea and several lakes surrounding Berlin, Hamburg, Hannover and Frankfurt
 - b) **Point-of-Sale Special Offers Flyer** – March/April & July/August
Supporting the tubing promotion, 10,000 flyers depicting VSPC logo and special travel offers will be produced and distributed in our VSPC snappy orange eco tote bags during the tubing events.
 - c) **Facebook Integration**
To increase awareness to the tubing promotion as well as the special offers flyer the initiative will be promoted on tour operator's Facebook page (currently over 60,000 followers) by means of ...
FB Theme: branding of FB cover image and inclusion of VSPC imagery,
FB Ads: outreach and promotion via targeted adverts and inclusion of posts, imagery and video. The tour operator's FB platform enjoys a high interaction rate of likes, comments and shares per post.
 - d) **eNewsletter Blast**
Supporting A, B & C above, an eNews blast will be deployed to the tour operator's database of 140,000 subscribers with above-average income, academic backgrounds and high interest in travel. The eNews will feature VSPC content, logo, imagery and special travel offers linking to booking engine.
Co-op Partners: SeaWorld Parks & Entertainment and Visit Florida
The winter tubing event ran March 26th –April 1st. Results: 5,000 inner tubes and flyers were produced and actively distributed among curious customers along with our eco-friendly sunscreen presented in our bright orange eco-tote bags – all of which motivated considerable engagement. The Facebook promotion of this initiative on the tour operators' page (currently 62,000 fans) generated 338,480 views, 6,309 likes, 342 shares and 253 comments. Inclusion of the initiative in an eNews blast produced an opening rate of 13.2% and 21,830 clicks on the VSPC travel offer.

This month we laid the groundwork for the summer tube campaign, conferring with the tour operator on ideal locations, ordering additional promotional material and discussing further logistical details.

- Explorer Fernreisen (Germany)
 - **B2C Florida Online Campaign** – June 2016
 - Together with Visit Florida, VSPC will be part of a comprehensive B2C online campaign with Explorer Fernreisen to be launched in June to push fall season 2016/17 business.
 - The campaign will comprise:
 - a) Dedicated **landing page** and **rotating banner** on explorer.de
 - b) 1 slot in the Explorer Fernreisen **B2C newsletter** deployed to over 30,000 consumer addresses as well as placement in a **B2B newsletter**.
 - c) Placement of three **Facebook ads** within the campaign period linked to special travel package/product
 - d) A rotating **image banner** on the tour operator's homepage will link to a dedicated Florida landing page (www.explorer.de/kampagnen/florida.html) promoting participating partner's products and specially developed travel package teasers
 - e) Placement of **wallpaper banners** on various other travel-oriented platforms such as LonelyPlanet.de, DumontReisen.de, MarcoPolo.de and Baedeker.de
 - Layouts for items a-d were received and approved this month.
 - Co-op Florida Partners: Bradenton, Florida Keys, Ft. Myers, Naples and Tampa
- Faszination Fernweh (Germany)
 - **B2C eNews Blast** – June 2016
 - VSPC will be featured in an exclusive eNewsletter with imagery, logo, destination content and travel offers, which will be deployed to the tour operator's database of more than 67,000 customers. All necessary assets were provided, layout was received and approved.
- FTI Touristik (Germany)
 - **B2C & B2B Multi-Channel, Cross Marketing Campaign** – February-May 2016
 - Together with FTI, we will develop and launch a non-traditional, cross marketing campaign in cooperation with Crumpler, a very popular bag/luggage brand known initially for the creation of the 'messenger bag'. Crumpler strives to offer the perfect bag for every type of urban species - from street photographer to traveler to tech-savvy commuter. Focused on raising awareness, generating buzz and boosting bookings to St. Pete/Clearwater, the campaign will run for several months with a major sweepstakes promotion at its core (10-day trip to VSPC for 2). Campaign elements include multi-channel platforms such as print, online, social media and out-of-home / in-store initiatives.
 - a) **Print** – February - May
 - Over 10,000 flyers plus posters and displays will be printed featuring the joint sweepstakes. Distribution via Crumpler stores, at fairs and in FTI retail travel agencies.
 - b) **B2C FTI Landing Page** – February - May
 - VSPC dedicated landing page on FTI's website platform including comprehensive destination content, logo, the 'live amplified' video, special travel offers as well as a link to the Crumpler sweepstakes.

- c) **B2C FTI Newsletter** - February & March
The sweepstakes banner was positioned within FTI's eNewsletter to 140,000 clients. It included a link to the VSPC landing page with jump to the sweepstakes.
- d) **B2B FTI Newsletter** - February
The sweepstakes banner was also be placed in FTI's eNewsletter to 14,000 agents. It included a link to the VSPC landing page with jump to the sweepstakes.
- e) **B2C FTI Facebook Posts** - February - May
The sweepstakes will be posted several times on the tour operator's Facebook site.
- f) **B2C Crumpler Homepage Banner** – February - May
Crumpler created a special intro on their homepage reaching a minimum of 80,000 impressions per month to feature our joint sweepstakes with links to dedicated landing pages.
- g) **B2C Crumpler Landing Page** – February - May
This specially designed microsite contains not only sweepstakes description with enter-to-win option, but also prominently showcases VSPC with our 'live amplified' video as well as eye-catching imagery for 8 destination highlights each linking to the applicable VSPC webpages.
- h) **B2C Crumpler Newsletter** - February - May
The sweepstakes promotion will be announced in Crumpler's own eNewsletter to their client base of subscribers (8,000 +) several times during the campaign.
- i) **B2C Crumpler Social Media Posts** - February - May
The sweepstakes will be posted several times on Crumpler's various social media platforms such as: Facebook, Twitter, Google+, Instagram, Pinterest, Vimeo and YouTube with a reach of an estimated 50,000 consumers.
The Crumpler campaign concluded on May 15th. A final evaluation report will be forthcoming.

➤ **B2B2C Direct Mailing** – August 2016

A 6-page direct mail piece will be produced containing VSPC logo, imagery, destination content and special travel offers to push fall business. 10,000 pieces will be distributed to top travel agencies for use in their own distribution channels to their customers.

- Jan Doets America Tours (Netherlands)

➤ **B2C Glossy Magazine** – August 2016

Rather than producing a catalog, Jan Doets has taken to producing a high-end travel magazine containing enticing imagery and snippets of content related to the U.S. destinations the tour operator is strong in selling. It is distributed to consumers via direct mail and at fairs. Annual circ. is 15,000.

We were offered free placement of meaningful VSPC imagery for the next issue on a free-of-charge basis. A selection of appealing images has been supplied.

- Kuoni (Switzerland)

➤ **B2B2C Exclusive Destination Storefront Illuminated Display** – June/July 2016

Kuoni Switzerland highlights a different destination every month in 120 dedicated travel agency illuminated storefront window displays. We are exceedingly pleased to have secured an exclusive placement for VSPC in June to push fall business. VSPC will be featured together with Edelweiss Air with logo, key visual and content snapshot. Having provided all necessary assets last month, we received and approved the final layout this month.

- Meier's Weltreisen (Germany)
 - **B2C Meier's Welt Magazin** – July 2016

Published twice a year in conjunction with the launch of new winter and summer season catalogues, MEIER'S WELT is a 40-paged magazine exclusively for VIP customers. The magazine's content focuses on highlighting the next catalog's new products and special offers. Distribution to 8,500 VIP clients.

For the upcoming July issue (7/15/2016) two advertorial pages will feature VSPC within the North America section.
 - **B2B2C Lufthansa City Center Travel Agency Promotion** – June-July 2016
 - a) **Storefront "TV" Spot:** 215 Lufthansa City Center travel agencies will feature VSPC with a 25-second destination portrayal and 20-second special travel offer teasers 80x/day between 9am & 10pm for 4 weeks (mid-June thru mid-July) on storefront 'TV' monitors.
 - b) **B2B2C Promotional Folder:** A 6-page print piece featuring VSPC content, logo, imagery and travel teasers will be distributed to aforementioned LCC travel agencies for use in point-of-sale. Print run of 21,000 pieces.
 - c) **B2B Newsletter** will be deployed to the LCC agencies alerting them to VSPC being the 4-week featured destination along with details on the VSPC dedicated travel offers.
 - d) **B2C Newsletter** will be deployed by the LCC agencies to their customer databases promoting the destination and specially developed travel offers (mirroring the promotional folder content).

Respective assets and inputs for the magazine as well as for the LCC Travel Agency Promotion have been provided. Layouts are expected next month.
- Schauinsland Reisen (Germany)
 - **B2C Catalog Page** – Winter 2016/17

After our very successful online campaign with Schauinsland Reisen earlier this year and the resulting growing appeal of VSPC among the tour operator's customers, we were offered a very special deal by the Director of Product & Contracting USA: The winter 2016/17 catalog's Gulf Coast introductory page will prominently highlight VSPC with enticing imagery and descriptive destination snapshot. What's more, this placement comes to us free of charge!

The page layout was designed and approved this month.
- Thomas Cook AG (Germany)
 - Thomas Cook Reisen*
 - **B2B2C Poster Strip** – May 2016

Featuring VSPC exclusively with key visual, logo and travel teasers, this oversized poster strip will be deployed to 9,000 travel agencies for a two-week in-store and storefront display.
 - Neckermann Reisen*
 - **B2B2C Florida POS Folder** – June 2016

VSPC will be featured on 2 pages of this 6-page piece with destination copy, logo and several travel offers. What's more, our destination will be the key visual for the folder cover! A print run of 12,500 will be deployed to Neckermann Reisen travel agencies for use in point-of-sale. All applicable material was provided and layout has been approved.

Coop Partners: SeaWorld Parks & Entertainment, Visit Tampa Bay and Lufthansa

Thomas Cook & Neckermann Reisen

➤ **B2C ‘Destination of the Week’ Facebook Posts** – June & July 2016

VSPC will be highlighted as ‘destination of the week’ on both the Thomas Cook and Neckermann Reisen Facebook pages (62,000 fans) in June and July with 3 posts each including imagery and brief destination text. The tour operator was provided with all necessary input this month.

Travel Trade/Consumer Publications & Portals:

- Schwulissimo Magazine (Germany) – circ. 122,000 *Trade*
 - **1/1 Page Print Ad** – June 2016
Schwulissimo is the LGBT magazine with the highest circulation in Northwest Germany. VSPC will be featured in the June issue with a full page ad on the prominent second page of this magazine.
 - **Standalone eNewsletter** – June 2016
As an augmentation to the above, VSPC will be featured exclusively in a standalone eNewsletter distributed to 41,000 Schwulissimo readers.
 - **Website Banner** – June 2016
In addition, a VSPC flash banner will run for four weeks on schwulissimo.de (200,000 page impressions monthly).
 - **Online Editorial** – June 2016
The flash banner will link to an online editorial dedicated exclusively to VSPC. Layouts for the various elements were created, corrected and approved this month.

- Touristik Aktuell (Germany) – circ. 30,854 *Trade*
 - **eLearning ‘expiPROFI’** – February 2016 - January 2017
Touristik Aktuell, one of Germany’s leading travel trade magazines, has launched a brand new eLearning program for the travel trade: expiPROFI (www.expi-profi.de) in cooperation with ‘meinpep.de’, founded by TUI4U GmbH in 2012 and focused on promoting attractive pricing exclusively to the travel trade.
Touristik Aktuell and meinpep.de reach the great majority of Germany’s 10,000+ agencies. The Touristik Aktuell web portal generates approx. 240,000 page impressions per month. meinpep.de currently generates 450,000 page impressions per month.
In this new eLearning program, VSPC is featured with a company portrait, 5 study pages and a test with 10 questions.
Visit Florida announced plans to add a sweepstakes to the platform to win a spot on an exclusive Florida fam trip in 2017. To be eligible, agents must have completed all course elements related to Florida destinations and products.
Update to be forthcoming.

Public Relations:

Kaus Media Services - VSPC’s German PR Agency

This month saw us assisting the agency with the following projects:

- **Press Release May:** Proofread and corrected.
- **Newsletter May:** Proofread and corrected.

All activities, projects and programs described herein have been duly completed as described.